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C O N F I D E N T I A L SECTION 01 OF 03 TOKYO 002061

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JA

SUBJECT: WHA A/S SHANNON'S APRIL 11 MEETING WITH MOFA
ECONOMIC COOPERATION DDG SUGITA

REF: A. TOKYO 2008

[1](#)B. TOKYO 1960

[1](#)C. TOKYO 1959

Classified By: Deputy Chief of Mission Joe Donovan. Reason: 1.4 (b)(d)

[1](#)1. (C) Summary. During a April 11 meeting with WHA A/S Shannon, MOFA Economic Cooperation Bureau DDG Sugita discussed Japan's ODA efforts in Latin America. He described difficulties increasing aid to the region due to Japan's traditional focus on Asia and poverty-alleviation efforts in Africa. He explained Japan's current efforts focusing on regional integration, security-related assistance and cooperation among donors. A/S Shannon urged more Japanese involvement and welcomed opportunities to coordinate. End summary.

[1](#)2. (C) During a April 11 meeting with WHA Assistant Secretary Thomas Shannon, MOFA Deputy Director General for Overseas Assistance Nobuki Sugita conceded there are challenges for Japanese ODA in Latin America. Japan's ODA is focused on Asia for geographic reasons, with Africa next, due to the extreme poverty there. In contrast, Latin America is remote

from Japan, has many middle-income countries, and lacks the extreme poverty found in Africa. Moreover, due to budget constraints, overall Japanese ODA has been declining as well. Sugita said he would like the reverse this trend, but the budget is controlled by the powerful Ministry of Finance. The ODA budget for technical and professional assistance to Latin America stands at US\$700m per year. Official lending is currently negative, with more loans being repaid than new monies being loaned. A/S Shannon said he understood the challenges for Japan in providing aid to Latin American. Despite the existence of some wealthy areas, a high level of social stratification remains, and the reforms to address these social issues are critical for the success of democracy in the long term.

13. (C) Sugita said Japanese ODA is moving toward increased emphasis on regional efforts, especially in the area of infrastructure development and environmental programs. This includes support for regional integration in Central America, where ODA spent in one country positively impacts neighboring countries. For example, when JICA holds technical training courses in the region, they invite participants from neighboring countries to spread the benefits of the information transfer. A/S Shannon echoed the importance of regional integration, citing the U.S. focus of its resources on encouraging integration in the Andean and Caribbean regions. The U.S. also favors development projects that attract foreign investment, he explained.

14. (C) Japan is assisting with road building for the Plan

TOKYO 00002061 002 OF 003

Puebla Panama (PPP), Sugita noted. Shannon said this helpful assistance project is an excellent example of how various types of engagement can contribute to effective development. In the PPP case, an FTA between the U.S. and Central American countries reinforces the value of infrastructure development, and ODA for capacity building allows local people to exploit the new opportunities. Such an approach, he added, can be both effective and have a visible impact.

15. (C) Sugita noted the importance of security to poverty reduction and social stability, citing Haiti and Colombia as examples. A/S Shannon observed that the United States is also highlighting security, and encouraged Japan to support reintegration of gang members/illegal combatants in Haiti and Colombia. In the past, the United States has focused its development assistance on governance, rule-of-law, dispute resolution, and similar efforts to encourage social stability and create a positive development environment. One drawback to this approach is that citizens find it difficult to draw the connection between the aid and a direct benefit to their lives. The United States, he added, is now seeking ways to show we are working to make a positive, tangible impact on people's lives. Sugita echoed the desire for making a visible contribution, noting that the public diplomacy effort is a critical part of ODA.

16. (C) A/S Shannon also emphasized the increasing importance of partnership programs that link to the private sector to public programs, especially as ODA budgets have been declining. The amount of ODA in Latin America is dwarfed by private sector investment and remittances. He said ODA should act as a catalyst for development and FDI. Sugita echoed this idea, pointing to Japanese infrastructure assistance in the East-West Mekong Corridor as an example. He also said their focus is increasingly moving from physical to "soft" infrastructure, through projects assisting with customs streamlining, attracting FDI and tourism development.

17. (C) Japan is also increasing its emphasis on coordinating with other donor countries for more effective delivery of assistance, Sugita commented. He looks forward to hearing more specific ideas from the U.S. on how the two countries can coordinate more projects. A/S Shannon agreed that such

coordination is useful to avoid duplicating work and for tracking donor activities.

18. (C) Sugita remarked that Japanese thinking toward ODA is also moving toward a more overall strategic approach. Japanese ODA has three ties - the strategic level (directed by the Prime Minister and the Cabinet), the policy level (coordinating the efforts of government ministries), and the implementation level (loans, MOFA grants, JICA activities). Increasingly, Japan's policy makers are viewing ODA from a

TOKYO 00002061 003 OF 003

strategic perspective to enhance the effectiveness of their overall foreign aid policy.

9.(U) Assistant Secretary Shannon cleared this message.
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